SP.18.13   Proposed Revision to the General Rules, Article III – Intellectual Property

BACKGROUND
University of Illinois Statutes provide for senate review of proposed changes to the intellectual property portions of the General Rules (Article III), unlike other revisions to the General Rules, which are handled by the Board of Trustees, in consultation, via the President, with the University Senates Conference (Statutes, Article I, Section 6 and Article XII, Section 5). University Senates Conference (USC) has sent the following proposed changes to Article III of the General Rules, along with this introduction from its letter of April 4:

These revisions concern primarily two changes: (1) changing the role of the vice chancellor for research to the new vice president for economic development and innovation (shifting the responsibilities from the university level to the system level); and (2) incorporating the new system/university language being adopted across all the governing documents.

As explanatory context, here are the closing sections of a draft preamble or preface being written to accompany these changes:

Although there has been no formal legal name change to the institution, as of May 20, 2016, the University of Illinois has adopted the organizational structure and nomenclature of a system. The term “system” recognizes that there are separate universities that share an overarching strategic framework, are supported by certain shared administrative functions, and are overseen by a single governing board. The three universities include the University of Illinois at Urbana-Champaign; the University of Illinois at Chicago and its affiliated regional campuses in Peoria, Rockford, and the Quad Cities; and the University of Illinois at Springfield.

Accordingly, when describing the institution as a whole, including the three universities, the collective shall be referred to in this document (and other governance and administrative documents) as either the “University of Illinois,” the “University of Illinois System,” the “U of I System,” or the “system.” The adjectival form for such references is “system-wide.” The University of Illinois offices that provide central administrative services are referred to as “system offices” and staff within these offices are referred to as “system administration” or “system leaders.” The adjectival form for references to such services or staff is “system-level.” To avoid confusion, these offices are not referred to as the “system.”

The individual campuses referenced above will be referred to independently as “university” and collectively as “universities.”

This change reflects the broader move away from the idea of a unitary University of Illinois, directed by a president and vice presidents, with three campus locations, to a system...
comprising three universities, each with its own chancellor (who is also a vice president). The emphasis may seem subtle, but is significant. Over the totality of the governing documents this reflects devolution of certain responsibilities from the system to the respective universities; and reserving the role of the system to those cases where there is a clear benefit to implementing policies across the three universities (i.e., system-wide). Similar system/university language is also being developed for the Statutes, and those changes will be coming to the senates soon.

USC requests that senates consider these revisions before USC meets on May 3. USC has determined that unlike amending the University Statutes, revisions to the General Rules only require a single reading.

RECOMMENDATION
The Senate Committee on University Statutes and Senate Procedures recommends deferring approval of the following revisions to the General Rules, Article III, pending further committee discussion and possible modification. Text to be added is underscored and text to be deleted is struck through.

PROPOSED REVISIONS TO THE GENERAL RULES, ARTICLE III

ARTICLE III. INTELLECTUAL PROPERTY

SECTION 1. OBJECTIVES

Technical information, inventions, discoveries, copyrightable works and other creative works that have the potential to be brought into practical use may result from the activities of University of Illinois System employees in the course of their duties or through the use, by any person, of University system resources such as facilities, equipment, or funds.

The first purpose of this intellectual property policy is to provide the necessary protections and incentives to encourage both the discovery and development of new knowledge, its transfer for the public benefit and its use for development of the economy; a second purpose is to enhance the generation of revenue for the University system and to provide financial and reputational benefits for the creator(s); and a third purpose is to preserve the University’s freedom to conduct research and to use the intellectual property created by that research or pursuant to an institutional initiative. The system University is guided by the following general objectives:

(i) To optimize the environment and incentives for research and for the creation of new knowledge within the system University;

(ii) To ensure that the educational mission of the system University is not compromised;

(iii) To bring technology into practical use for the public benefit as quickly and effectively as possible;
To protect the interest of the people of Illinois through a reasonable consideration for the system's University's investment in its intellectual property.

SECTION 2. DEFINITIONS

(a) Intellectual Property. The term "intellectual property" is broadly defined to include inventions, discoveries, know-how, show-how, processes, unique materials, copyrightable works, original data and other creative or artistic works which have value. Intellectual property includes that which is protectable by statute or legislation, such as patents, registered or unregistered copyrights, registered or unregistered trademarks, service marks, trade secrets, mask works, and plant variety protection certificates. It also includes the physical embodiments of intellectual effort, for example, models, machines, devices, designs, apparatus, instrumentation, circuits, computer programs and visualizations, biological materials, chemicals, other compositions of matter, plants, and records of research and experimental results.

(b) Traditional Academic Copyrightable Works. "Traditional academic copyrightable works" are a subset of copyrightable works created independently and at the creator's initiative for academic purposes. Examples may include class notes, books, theses and dissertations, educational instructional materials and software (also known as courseware or lessonware) that the creators may design for courses they teach, articles, non-fiction, fiction, poems, musical works, dramatic works including any accompanying music, pantomimes and choreographic works, pictorial, graphic and sculptural works, or other works of artistic imagination that are not created as an institutional initiative (as specified in Section 4(a)(2) below).

(c) Creator. "Creator" refers to an individual or group of individuals who make, conceive, reduce to practice, author, or otherwise make a substantive intellectual contribution to the creation of intellectual property. "Creator" includes the definition of "inventor" used in U.S. patent law for patentable inventions and the definition of "author" used in the U.S. Copyright Act for copy written works of authorship.

(d) System University Resources Usually and Customarily Provided. When determining ownership and license rights in copyrightable works, "System University resources usually and customarily provided" includes office space, library facilities, ordinary access to computers and networks, or salary. In general, it does not include the use of students or employees as support staff to develop the work, or substantial use of specialized or unique facilities and equipment, or other special subventions provided by the system University unless approved as an exception.

Exceptions are expected in units where the tradition is to provide subvention to some faculty in the form of graduate assistants to help prepare traditional academic copyrightable works. Exceptions are also expected in situations where creators use system University-provided facilities and resources in the creation of works of artistic imagination, for example, use of studios, pottery wheels, or kilns for the creation of paintings, sculpture or ceramics; use of high end computer hardware and software in the creation of artistic graphical images; and so on. Other individual exceptions may be approved on a case-by-case basis [see section 7(k)].

SECTION 3. APPLICATION

This policy is considered a part of the conditions of employment for every employee of the University of Illinois System, University and a part of the conditions of enrollment and
attendance at the University by students. It is also the policy of the system University that individuals (including visitors) by participating in a sponsored research project and/or making significant use of system University-administered resources thereby accept the principles of ownership of intellectual property as stated in this policy unless an exception is approved in writing by the system University. All University creators of intellectual property shall execute appropriate assignment and/or other documents required to perfect, confirm, or determine ownership and rights as specified in this policy.\(^1\)

This policy applies only to intellectual property disclosed after the effective date of the policy (September 3, 1998).

SECTION 4. COPYRIGHTS

(a) Ownership. Unless subject to any of the exceptions specified below or in Sections 4(b) and 4(c), creators retain copyright rights to traditional academic copyrightable works as defined in Section 2(b) above. (See, in particular however, Section 4(b)(2) below.)

The University of Illinois System shall own copyrightable works as follows, and by operation of this Article, such works are hereby assigned to and the property of the University:

(1) Works created pursuant to the terms of a system University agreement with a third party, or

(2) Works created as a specific requirement of employment or as an assigned University duty that may be specified, for example, in a written job description or an employment agreement. Such specification may define the full scope or content of the employee’s University employment duties comprehensively or may be limited to terms applicable to a single copyrightable work.\(^2\)

(3) Works specifically commissioned by the system University. The term “commissioned work” refers to a copyrightable work prepared under an agreement between the system University and the creator when (1) the creator is not a system University employee, or (2) the creator is a system University employee but the work to be performed falls outside the normal scope of the creator’s system University employment. Contracts covering commissioned works shall specify that the author convey by assignment, if necessary, such rights as are required by the system University.

\(^1\)The creator’s obligation to assign rights to the system University is subject to the provisions of the Illinois Employee Patent Act, which provides in part (see 765 ILCS 1060/2(1)):  

A provision in an employment agreement which provides that an employee shall assign or offer to assign any of the employee’s rights in an invention to the employer does not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee’s own time unless (a) the invention relates (i) to the business of the employer, or (ii) to the employer’s actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by the employee for the employer. Any provision which purports to apply to such an invention is to that extent against the public policy of the state and is to that extent void and unenforceable. The employee shall bear the burden of proof in establishing that his invention qualifies under this subsection.

\(^2\)Provisions (1) and (2) above define those works that fall within the scope of University employment as that term is used in the definition of “work made for hire” in the U.S. Copyright Statute (see Title 17, USC, Section 101).
(4) Works that are also patentable. The system University reserves the right to pursue multiple forms of legal protection concomitantly if available. Computer software, for example, can be protected by copyright, patent, trade secret and trademark.

(b) University System Rights in Creator-Owned Works

(1) Traditional academic copyrightable works created using system University resources usually and customarily provided are owned by the creators. Such works need not be licensed to the system University.

(2) Traditional academic copyrightable works created with use of system University resources over and above those usually and customarily provided shall be owned by the creators but licensed to the system University. The minimum terms of such license shall grant the system University the right to use the original work and to make and use derivative works in its internally administered programs of teaching, research, and public service on a perpetual, royalty-free, non-exclusive basis. The system University may retain more than the minimum license rights when justified by the circumstances of development.

(c) Student Works. Unless subject to the provisions of paragraph (a) or provided otherwise by written agreement, copyrightable works prepared by students as part of the requirements for a University degree program are deemed to be the property of the student but are subject to the following provisions:

(1) The original records (including software) of an investigation for a graduate thesis or dissertation are the property of the system University but may be retained by the student at the discretion of the student’s major department.

(2) The University of Illinois System shall have, as a condition of awarding the degree, the royalty-free right to retain, use and distribute a limited number of copies of the thesis, together with the right to require its publication for archival use.

(d) Copyright Registration and Notice. University System-owned works shall be protected by copyright notice in the name of the Board of Trustees of the University of Illinois. Such copyright notice shall be composed and affixed in accordance with the United States Copyright Law. Registration of the copyright for University system-owned works shall be in accordance with the operational guidelines and procedures established by the vice chancellor for economic development and innovation in consultation with the chancellors or the chancellors’ designees for research on each campus. The system University may also decide to release a work to the public domain and if so, should so indicate.

(e) University Press Publications. The University Press shall be responsible for copyright registration of works owned by the system University and published by the Press and for administering contracts with its authors. Such contracts shall define the rights and obligations of the author and the system University and shall be processed as other system University contracts.

(f) Compliance with the Copyright Act. University System units that administer activities involving any usage regulated by the Copyright Act are responsible for knowing applicable regulations, monitoring their continuing evolution, and conducting their programs in full compliance with the applicable laws and regulations.
SECTION 5. OTHER INTELLECTUAL PROPERTY

Ownership. Except as otherwise specified in this Article or by the University of Illinois System in writing, intellectual property shall belong to the system University, and by operation of this Article is hereby assigned to and the property of the system University, if made: (1) by a system University employee as a result of the employee’s duties or (2) through the use by any person, including a system University employee, of University system resources such as facilities, equipment, funds, or funds under the control of or administered by the system University. (See also Section 4(a)(4) above.)

SECTION 6. TRADEMARKS

Trademarks and service marks are distinctive words or graphic symbols identifying the source, product, producer, or distributor of goods or services. Registration of trademarks or service marks, at the state or federal level, shall be approved by the appropriate campus university or system University level officer. Proceeds received from commercialization of a registered or unregistered mark that is related to an intellectual property license for associated intellectual property will be shared with all creator(s) of the associated property as specified in Sections 8(b) and 8(c) below. For proceeds received from commercialization of a mark that is licensed independently and is not directly related to an intellectual property license, the share that would normally be distributed to the creator(s) will be assigned to the unit(s) from which the trademark or service mark originated. Except as provided herein or subject to prior written agreement between the creator(s) and the system University, the system University will not share the proceeds from commercialization of a mark with the individual(s) who created the mark.

SECTION 7. INTELLECTUAL PROPERTY ADMINISTRATION

(a) Disclosure. All intellectual property in which the University of Illinois System University has an ownership interest under the provisions of this policy and that has the potential to be brought into practical use for public benefit or for which disclosure is required by law shall be reported promptly in writing by the creator(s) to the designated campus university officer through the appropriate unit employee using the disclosure form provided by that unit. The disclosure shall consist of a full and complete description of the subject matter of the discovery or development and identify all persons participating therein. The creator(s) shall furnish such additional information and execute such documents from time to time as may be reasonably requested.

(b) Evaluation and Exploitation Decisions. After evaluation of the intellectual property and review of applicable contractual commitments, the system University may develop the property through licensing, to an established business or a start-up company, may release it to the sponsor of the research under which it was made (if contractually obligated to do so), may release it to the creator(s) if permitted by law and current system University policy, or may take such other actions considered to be in the public interest. Exploitation by the system University may not involve statutory protection of the intellectual property rights, such as filing for patent protection, registering the copyright, or securing plant variety certification. All agreements regarding intellectual property must be executed by the vice president/chief financial officer and comptroller and attested to by the Secretary of the Board of Trustees or his or her designees.

(c) Questions Related to University System Ownership. In the event there is a question as to whether the system University has a valid ownership claim in intellectual property, such intellectual property should be disclosed in writing to the University of Illinois System University by the creator(s) in accordance with Section 7(a). Such disclosure is
without prejudice to the creator’s ownership claim. The system University will provide the creator with a written statement as to the system’s University’s ownership interest.

(d) Informing Creators of Decisions. The system University will inform principal creators of its substantive decisions regarding protection, commercialization and/or disposition of intellectual property which they have disclosed. However, specific terms of agreements with external parties may be proprietary business information and subject to confidentiality restrictions.

(e) University System Abandons Intellectual Property. Should the system University decide to abandon development or protection of system University-owned intellectual property, ownership may be assigned to the creator(s) as allowed by law and current University system practice, subject to the rights of sponsors and to the retention of a license to practice for system University purposes. The minimum terms of the license shall grant the system University the right to use the intellectual property in its internally administered programs of teaching, research, and public service on a perpetual, royalty-free, non-exclusive basis. The system University may retain more than the minimum license rights, and the assignment or license may be subject to additional terms and conditions, such as revenue sharing with the system University or reimbursement of the costs of statutory protection, when justified by the circumstances of development.

(f) Commercialization. The system University may, at its discretion and consistent with the public interest, license intellectual property on an exclusive or non-exclusive basis. The licensee must demonstrate technical and business capability to commercialize the intellectual property. The licensee may include clear performance milestones with a provision for recapture of intellectual property if milestones are not achieved. The licensee may be required to assume the cost of statutory protection of the intellectual property.

(g) Conflict of Interest and Commitment. Commercialization activities involving University of Illinois System employees will be subject to review of potential conflict of interest and commitment issues and approval of a conflict management plan in accordance with applicable system University policy.

(h) University’s System’s Acceptance of Independently Owned Intellectual Property. The system University may accept assignment of intellectual property from other parties provided that such action is determined to be consistent with the public interest. Intellectual property so accepted shall be administered in a manner consistent with the administration of other system University-owned intellectual property.

(i) Consulting Agreements. University System employees engaged in external consulting work or business are responsible for ensuring that agreements emanating from such work are not in conflict with system University policy, with the system’s University’s contractual commitments or with system University policies regarding system University-owned intellectual property. Such employees should make their non-system University obligations known to the appropriate campus officer and should provide other parties to such agreements with a statement of applicable system University policies regarding ownership of intellectual property and related rights.

(j) Statement by Creators. The creators of system University-owned intellectual property may be required to state that to the best of their knowledge the intellectual property does not infringe on any existing patent, copyright or other legal rights of third parties; that if the work is not the original expression or creation of the creators, the necessary permission for use has been obtained from the owner; and that the work contains no libelous material nor material that invades the privacy of others.
(k) Administrative Responsibility. The president has ultimate authority for the stewardship of intellectual property developed at within the University of Illinois System. Pursuant to Article I, Section 2, Paragraph (d) the vice president for research economic development and innovation has direct line authority for system University offices and entities involved in technology commercialization and related economic development. With the advice of the chancellors/vice presidents, and in consultation with the executive vice president and vice president for academic affairs and the campus vice chancellors for research, the vice president for research economic development and innovation shall establish operational guidelines and procedures for the administration of intellectual property, including but not limited to determination of ownership, assignment, protection, licensing, marketing, maintenance of records, oversight of revenue or equity collection and distribution, approval of individual exceptions, and resolution of disputes among creators and/or unit executive officers.

(l) Campus University Responsibility. Each campus university may establish an office which has responsibility for administering system University policies regarding intellectual property as defined in this Article.

(m) Contractual Authority. Licenses, options for licenses and other agreements related to commercialization or exploitation of intellectual property shall be granted in the name of the Board of Trustees of the University of Illinois. All such contracts shall be executed in accordance with the policies described in this Article.

(n) Administrative Guidelines and Procedures. General guidelines and procedures for the administration of intellectual property shall be established by the president in consultation with the University System Intellectual Property Committee (as specified in Section 7(o) below) and the campuses. Detailed operational guidelines and procedures for the administration of campus based responsibilities shall be established by the vice chancellor for research.

(o) University System Intellectual Property Committee. The University System Intellectual Property Committee shall be appointed annually by the president to make recommendations to the president regarding procedures, guidelines, and responsibilities for the administration and development of intellectual property and such other matters as the president shall determine.

(p) Appeals. After following the administrative guidelines and procedures established by each campus, the University creator or unit executive officer may appeal to the University System Intellectual Property Committee to seek resolution of complaints or questions regarding the matters addressed in this Article.

(q) Preferential Treatment of Sponsors. Sponsored research agreements shall provide that all intellectual property developed as a result of the sponsored research project shall belong to the University system unless otherwise specified in writing. The sponsor may receive an option to license the resulting intellectual property on terms to be negotiated, with the option to be exercised within a specified period following the disclosure of the intellectual property. When the nature of the proposed research allows identification of a specific area of intellectual property or application which is of interest to the sponsor, the system University may accept research agreements with terms which entitle the sponsor to reasonable specific commercial rights within the defined field of interest. Otherwise, the specific terms of licenses and rights to commercial development shall be based on negotiation between the sponsor and the system University at the time the option is executed by the sponsor and shall depend on the nature of the intellectual property and its application, the relative contributions of the
system University and the sponsor to the work, and the conditions deemed most likely to
advance the commercial development and acceptance of the intellectual property. In all cases
where exclusive licensing is appropriate, such license agreements shall be executed apart from
the sponsored research agreement and shall require diligent commercial development of the
intellectual property by the licensee. The system University may also determine, on a case-by-
case basis and only if allowed by law, that it is in the system’s University’s interest to assign
ownership of resulting intellectual property to the sponsor as an exception to this policy when
circumstances warrant such action, in accordance with guidelines established by the
University System Intellectual Property Committee.

(r) Exceptions to Policy. Recommendations for exceptions to the provisions of the
policy in this Article shall be made by the University System Intellectual Property Committee
to the president for presentation to the Board of Trustees. [For individual exceptions, see
Section 7(k).]

SECTION 8 PROCEEDS DISTRIBUTION

(a) Proceeds. For purposes of this policy, “proceeds” shall refer to all revenue
and/or equity, as defined below, received by the University of Illinois System from transfer,
commercialization, or other exploitation of system-University owned intellectual property.

(1) Revenue. “Revenue” shall mean cash from payments including, but not
limited to, royalties, option fees, license fees, and/or fees from the sale of the system’s
University’s equity interest.

(2) Equity. “Equity” shall include, but not be limited to, stock, securities,
stock options, warrants, buildings, real or personal property, or other non-cash consideration.

(b) Revenue Distribution. When revenue is received by the system University, all
out-of-pocket payments or obligations (and in some cases, a reasonable reserve for anticipated
future expenses) attributable to protecting (including defense against infringement or
enforcement actions), marketing, licensing or administering the property may be deducted
from such income. The income remaining after such deductions is defined as net revenue. In
the case of multiple intellectual properties licensed under a single licensing agreement, the
system University shall determine and designate the share of net income to be assigned to
each intellectual property.

(1) Creator’s Share. The creator (or creator’s heirs, successors, and assigns)
normally shall receive forty percent (40%) of net revenue. If there are joint creators, the net
income shall be divided among them as they shall mutually agree. Should the creators fail to
agree mutually on a decision, the system University shall determine the division.

(2) Originating Unit’s Share. The originating unit normally shall receive
twenty percent (20%) of net revenue. If a creator is affiliated with more than one originating
unit or if there are joint creators from different units, the originating unit(s) share shall be
divided among such units as agreed in writing by the responsible unit executive officers.

These proceeds distribution provisions shall apply only to revenue and equity received
from agreements for commercialization that are executed subsequent to the effective date of
this policy (September 3, 1998). Unless otherwise agreed in writing between the system
University and the creator(s), distribution of income for commercialization prior to the
effective date of this policy shall be in accordance with the policy in effect at the time the
agreement was approved. Where no policy exists (e.g., for equity), this policy shall prevail.
(3) System and University’s Shares. The University system normally shall receive forty percent (40%) of net revenue. Distribution of the University system’s share shall be allocated to the relevant university in support of its technology transfer activities and academic and research programs as determined by the vice chancellor president for economic development and innovation, in consultation with the appropriate vice chancellor(s) for research of the relevant university or universities.

(c) Equity Distribution. In any instance wherein the system University executes an agreement with a corporation or other business entity for purposes of exploiting intellectual property owned by the system University and the system University receives or is entitled to receive equity, revenue from the equity shall be shared among the creator(s), the originating unit(s), and the system University in the same proportions as revenue distributions (except as specified in Section 8(d) below).

(d) Exceptions When the Creator(s) Have No Entitlement. If the system University accepts research support in the form of a sponsored research agreement or unrestricted grant as part of the consideration in an intellectual property license in lieu of an option fee, license fee or royalty, the creator(s) shall have no entitlement to receive a share as personal income. For the subset of equity that is buildings, real or personal property, or other non-cash consideration, the creator(s) shall have no entitlement to receive a share as personal income.

(e) Special Distributions. Special facts or circumstances may warrant a different distribution of proceeds than specified above and such distributions will be determined on a case-by-case basis under the authority of the vice chancellor president for economic development and innovation, in consultation with the appropriate vice chancellor(s) for research of the relevant university or universities.

(f) Revenue from Actions for Defense or Enforcement of Intellectual Property Rights. When the system University receives revenue from third parties that results from successful actions for the purpose of defending or enforcing the system’s University’s rights in its intellectual property, such revenue may first be used to reimburse the system University (or the sponsor or licensee, if appropriate) for expenses incurred in such actions. The creator(s) and their originating unit(s) shall be entitled to recovery of lost royalties from the remaining net revenue, in the same proportions as specified in Section 8(b) above. The remaining net revenue shall be allocated in support of the system’s University’s technology transfer activities and academic and research programs as determined by the vice president for economic development and innovation, in consultation with the appropriate vice chancellor(s) for research of the relevant university or universities.